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BEFORE THE ARIZONA CORPORATION COMMISSION

**COMMISSIONERS**

BOB STUMP- CHAIRMAN  
GARY PIERCE  
BRENDA BURNS  
BOB BURNS  
SUSAN BITTER SMITH

AZ CORP COMMISSION  
DOCKET CONTROL

2014 DEC 12 AM 11 36

ORIGINAL

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-04204A-13-0476  
UNS ELECTRIC, INC. FOR AN ACCOUNTING)  
ORDER IN CONNECTION WITH THE) **NOTICE OF FILING**  
ACQUISITION OF 150 MW OF GILA RIVER)  
POWER PLANT UNIT 3.)

UNS Electric, Inc., through undersigned counsel, hereby files the proposed Plan of Administration ("POA") for the proposed accounting order. Both Utilities Division Staff and the Residential Utilities Consumer Office support this form of POA.

RESPECTFULLY SUBMITTED this 12<sup>th</sup> day of December 2014.

UNS ELECTRIC, INC.

Arizona Corporation Commission

DOCKETED

DEC 12 2014

DOCKETED BY

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1 Original and 13 copies of the foregoing  
2 filed this 12<sup>th</sup> day of December 2014 with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 West Washington Street  
6 Phoenix, Arizona 85007

7 Copies of the foregoing hand-delivered/mailed  
8 this 12<sup>th</sup> day of December 2014 to the following:

9 Jane Rodda, Administrative Law Judge  
10 Hearing Division  
11 Arizona Corporation Commission  
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14 Charles Hains  
15 Legal Division  
16 Arizona Corporation Commission  
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18 Phoenix, Arizona 85007

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By Jacklyn Howard

UNS Electric, Inc.  
Gila River Power Plant Unit 3 Acquisition Accounting Order  
Plan of Administration

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## **1. GENERAL DESCRIPTION**

This document describes the plan of administration for the Gila River Power Plant Unit 3 Acquisition Deferred Accounting Order ("Order") as approved by the Arizona Corporation Commission ("ACC") in Decision No. XXXXX (date) for UNS Electric, Inc. ("UNSE" or "Company").

The Order authorizes the deferral of certain Non-fuel costs (collectively defined as "Deferred Costs" in Section 3), and short-term fuel and purchased power savings (collectively defined as "Deferred Savings" in Section 4) associated with the Company's purchase of a 25% interest in Unit 3 at the Gila River Power Plant ("Gila 3"). These Deferred Costs and Deferred Savings will be evaluated during the Company's next rate case. During this interim period between January 1, 2015, and the earlier of April 30, 2016, or the date new rates go into effect for UNSE (the "Deferral Period"), the cumulative Deferred Cost will not exceed the lower of \$10.5 million or the cumulative Deferred Savings as of April 30, 2016. For purposes of calculating the Purchased Power and Fuel Adjustment Clause ("PPFAC"), Deferred Savings will continue to accrue until new rates become effective; however, cumulative Deferred Costs will not increase after April 30, 2016, regardless of Deferred Savings applicable to periods after April 30, 2016.

## **2. DEFINITIONS**

Accounting Order – A rate-making mechanism used by a regulatory authority that allows the deferral of costs and/or savings by a regulated utility for possible future recovery or credit.

Carrying Costs – Costs accrued at a 5.0000% annual rate on the company's Net Book Investment of Gila 3 including the Company's pro rata share of any directly related associated Material and Supplies.

Fuel and Purchased Power Costs – The costs recorded for the fuel and purchased power used by UNSE to serve both Native Load Energy Sales and Wholesale Sales. Wheeling costs are included in Fuel and Purchased Power costs.

Native Load Energy Sales – Retail Native Load Energy Sales and Wholesale Native Load Energy Sales in the UNSE control area for which UNSE has a generation service obligation.

Net Book Investment – The cost of the Company's investment in its share of the plant, reduced by total depreciation and amortization recorded, plus the Company's pro-rata share of any directly related Materials and Supplies.

Off-Peak Power – Power for delivery Monday through Saturday from hour ending 2300 through hour ending 0600 Pacific Prevailing Time, and hour ending 0100 through hour ending 2400 Pacific Prevailing Time on Sunday and North American Electric Reliability Corporation ("NERC") holidays.

On-Peak Power – Power for delivery Monday through Saturday, excluding NERC Holidays, from hour ending 0700 through hour ending 2200, Pacific Prevailing Time.

Off System Sales - Energy sales other than those to directly meet the Company's native load obligations.

Palo Verde Hub – Palo Verde , also known as “PV” is a major cumulative western market trading hub that includes the Palo Verde substation and the Hassayampa substation.

PPFAC – The Purchased Power and Fuel Adjustment Clause (“PPFAC”) initially approved by the Commission in Decision No. 70360, and amended in Decision No. 74235. The PPFAC rate tracks the changes in the cost of obtaining power supplies based upon a historical 12-month rolling average of fuel, purchased power and purchased transmission costs as defined in the PPFAC Plan of Administration and is adjusted monthly.

Short-term Sales – Wholesale sales with a duration of less than one year made to non-Native Load customers for the purpose of optimizing the UNSE system, using UNSE-owned or contracted generation and purchased power.

Wholesale Sales – Sales to non-retail customers.

### **3. ALLOWABLE DEFERRED COSTS**

The Deferred Costs as defined below, associated with owning, operating and maintaining UNSE's 25% interest in Gila 3 will be deferred as a regulatory asset during the Deferral Period, subject to the lower of \$10.5 million or the cumulative Deferred Savings as of April 30, 2016. The costs eligible for deferral are limited to:

1. Depreciation and Amortization costs.
2. Property taxes.
3. O&M expenses.
4. Carrying Costs on Net Book Investment, both as defined above.

### **4. ALLOWABLE DEFERRED SAVINGS**

The Deferred Savings associated with owning and operating UNSE's 25% interest in Gila 3 will be deferred as a regulatory liability, and will accrue during the period beginning January 1, 2015 and ending upon the date new rates go into effect following UNSE's next rate case. The Deferred Savings are limited to:

1. Energy costs based on published PV (the major wholesale power hub for UNSE's service territory) day-ahead-market prices from the Intercontinental Exchange (“ICE”) for On-Peak and Off-Peak power, less actual fuel costs, plus
2. Avoided long term capacity procurement costs at \$1.52 per kW/month as approved in Accounting Order Decision No. [XXXXXX], and offset by
3. Short term wholesale sales revenues associated with Gila 3.

Deferred Savings are considered "allowable costs" for purposes of calculating UNSE's PPFAC but will not be included as part of the PPFAC bank for purposes of calculating accrued interest.

#### **5. COMPLIANCE REPORTS**

UNSE shall provide monthly reports to the Commission's Docket Control and to the Residential Utility Consumer Office detailing all calculations related to allowable cost included in the PPFAC. Monthly reports will be due within 45 days of the end of a reporting period. The information contained in the Compliance Reports will consist of the following schedules:

- Schedule A: Allowable Deferred Costs
- Schedule B: Allowable Deferred Savings
- Schedule C: Any Wholesale Sales which are 1 year or greater in duration. This schedule shall describe the dates, the number of MW's sold, type of service (firm, non-firm, etc.) and ancillary services (if any), type of sale (on peak, around the clock, etc.),

UNS Electric, Inc.  
Gila River Acquisition Deferred Accounting Order  
Schedule A - Deferred Costs

Line No.	Allowable Components	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16
1	Purchased Price	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Material and Supplies <sup>1</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	Accumulated Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	Total Rate Base (Line 1 + 2 + 3)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	Carrying Costs (Line 4 * 0.05 / 12) <sup>2</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	Depreciation and Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Operating and Maintenance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9	Deferred Costs (Line 5 + 6 + 7 + 8)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9	Total Deferred Costs <sup>3</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes:

- 1 UNSE share of material and supplies attributable to Gila River
- 2 Carrying Costs are Calculated at 5% per Decimon XXXXX
- 3 Total Cumulative Deferred Costs will not exceed the lower of \$10.5 million or the cumulative Deferred Savings as of April 30, 2016.

UNS Electric, Inc.  
Gila River Acquisition Deferred Accounting Order  
Schedule B - Deferred Savings

Line No.	Allowable Components	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16
1	Total Gila River Generation for UNSE, MWh (Line 4 + 11)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Gila River Retail On-Peak, MWh	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Gila River Retail Off-Peak, MWh	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Total Gila River Retail, GWh (Line 2 + 3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Palo Verde ICE, On-Peak, \$/MWh (1)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
6	Palo Verde ICE, Off-Peak, \$/MWh (1)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
7	Market Value of Replacement Energy On-Peak (Line 2 + 5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Market Value of Replacement Energy, Off-Peak (Line 3 + 6)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9	Market Value of Replacement Energy (Line 7 + 8)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	Avg. Market Value of Replacement Energy, \$/MWh (Line 9 / 4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11	Wholesale Sales from Gila River, MWh (Line 1 - 4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12	Wholesale Sales Revenues from Gila River (Line 11 * 13)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	Avg. Wholesale Sales from Gila River, \$/MWh	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
14	Gila River Fuel Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	Gila River Fuel Burn, GWh	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16	Gila River Fuel Expense, \$/MWh (Line 14 / 1)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
17	Gila River Fuel Expense, \$/MWh (Line 14 / 15)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
18	Market Value of Replacement Energy (Line 9)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19	Wholesale Sales Revenues from Gila River (Line 12)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20	Avoided Capacity Savings (2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21	Less Gila River Fuel Expenses (Line 14)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22	Total Deferred Savings (Line 18 + 19 + 20 + 21)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23	Cumulative Deferred Savings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes:

- To be based on market prices from the Intercontinental Exchange (ICE)
- Capacity Purchases are \$1.52 per kW/month per Decision XXXXX



UNS Electric, Inc.  
Gila River Acquisition Deferred Accounting Order  
Schedule C - Long-Term Wholesale Sales by UNS Electric, Inc.

☐ UNS Electric *did not* enter into any wholesale sales contracts with a term of at least 12 months

☐ UNS Electric entered into the following wholesale sales contract(s) with a term of at least 12 months. (1)

Line No.	Counterparty	Start Date	End Date	Monthly Sales (MWh)	Firm or Non-Firm	On-Peak, Off-Peak, Around-the Clock	Ancillary Services (if any)
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Notes:

1 Confidential contract terms will be made available to Staff pursuant to the terms of the protective agreement.